



NATIONAL BANK OF FUJAIRAH  
**PILLAR 3**  
DISCLOSURES  
30 September 2024

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## 1. Executive Summary

The National Bank of Fujairah's ("NBF" or the "Bank") Basel Pillar 3 disclosures have been prepared in accordance with the guidelines prescribed by the Central Bank of the UAE (CBUAE) and the Formal Disclosure Policy of the Bank. The Bank and its subsidiaries are together referred to as 'the Group' in this document.

The purpose of this report is to inform market participants of the key components, scope and effectiveness of the Bank's risk measurement processes, risk profile and capital adequacy. This is accomplished by providing consistent and understandable disclosures of the Bank's risk profile in a manner that enhances comparability with other financial institutions.

Capital management and risk management are important parts of the Bank's strategy formulation process and are reflected in the Bank's long-term objectives. The primary objective of the NBF's capital and risk management strategy is to protect the financial strength of the Bank, ensure its sustainability and safeguard its reputation, whilst recognizing that prudent risk taking remains an integral part of NBF's business. The NBF risk management strategy applies across all businesses and risk categories and is founded on:

- Transparency, assessment and responsiveness, and
- Management accountability

### Capital Management

The Bank's Capital Position as of **31 December 2023** shows that the Group holds adequate capital. In an extreme stress scenario, CAR and CET 1 remain above the minimum requirement excluding buffers. However, when buffers are included, CAR and CET1 are marginally below the minimum requirements by 32 basis points and 13 basis points respectively.

CAPITAL ADEQUACY ASSESSMENT SUMMARY AED'000			
Particulars	Regulatory Capital Pillar I	Risk Capital Pillar I + Pillar II	Stressed Scenario
Risk Weighted Assets (RWA)	35,252,532	46,515,750	50,819,729
Mandated Capital @ 13%*	4,582,829	6,047,048	6,606,565
Available Capital	6,683,096	6,572,560	6,445,355
Surplus / (Shortfall)	2,100,267	525,513	(161,210)
Capital Adequacy Ratio	18.96%	14.13%	12.68%
Stress Impact in Bps	-	(483)	(627)

\*Mandated Capital including buffers is 13% of Total RWA. Buffers are not required for assessment for Pillar 2 Capital Adequacy or Stress Testing.

<b>CET 1 CAPITAL ADEQUACY ASSESSMENT SUMMARY AED'000</b>			
<b>Particulars</b>	<b>Regulatory Capital</b>	<b>Risk Capital</b>	<b>Stressed Scenario</b>
	<b>Pillar I</b>	<b>Pillar I + Pillar II</b>	
Risk Weighted Assets (RWA)	35,252,532	46,515,750	50,819,729
Mandated CET1 @ 9.50% (Incl. buffers)	3,348,991	4,418,996	4,827,874
Available Capital	5,001,501	4,890,965	4,763,760
Surplus / (Shortfall)	1,652,510	471,969	(64,114)
CET 1 Ratio	14.19%	10.51%	9.37%
Stress Impact in Bps	-	(367)	(481)

The Stressed Scenario assumes that all risk types at Pillar II experience stress at the same time.

The results of the capital assessment, including Pillar 1, Pillar II, stress testing and ICAAP risk analysis indicate that the targets and triggers in place to manage capital adequacy, are appropriate.

The Management Risk Committee reviews the level of capital resources in relation to the changes in the risk profile of the Bank, the stress testing and the business and operating expenses of a capital nature each month. The Committee makes appropriate recommendation to the Board Risk Committee and the Board of Directors regarding additional capital requirements.

### **Risk Management**

The Board provides a clear operational structure for the Group to manage risk in a manner that ensures the establishment of appropriate controls consistent with the Bank's risk appetite, risk profile and capital strength. These controls, via the Enterprise-wide Risk Management Framework (ERMF), are understood by and regularly cascaded to relevant staff.

The ERMF promotes continuous monitoring and the integrated evaluation of different risk types and their interaction, to assess the enterprise-wide overall risk profile.

NBF examines its risk profile from a regulatory capital and economic capital perspective to ensure its capital base remains above the minimum regulatory threshold, is adequate to withstand certain defined stress scenarios and is sufficient to support NBF's strategic objectives and operational goals.

This Pillar 3 Report provides details on the Bank's risk profile by risk asset classes, which form the basis for the calculation of its capital requirement. Numbers are stated in AED thousands unless stated otherwise.

## 2. Table KM1: Key metrics (at consolidated group level)

The key metrics focus on the capital and liquidity position of the Bank:

		Sep'24	Jun'24	Mar'24	Dec'23	Sep'23
		A	B	C	D	E
		T	T-1	T-2	T-3	T-4
<b>Available capital (amounts)*</b>						
1	Common Equity Tier 1 (CET1) (with IFRS transitional prov)	5,587,852	5,369,632	5,232,319	5,001,501	4,969,976
1a	Fully loaded ECL accounting model	5,522,753	5,307,408	5,159,228	4,917,095	4,816,810
2	Tier 1 (with IFRS transitional prov)	7,883,477	6,655,182	6,517,869	6,287,051	6,255,526
2a	Fully loaded ECL accounting model Tier 1	7,818,378	6,592,958	6,444,778	6,202,645	6,102,360
3	Total capital (with IFRS transitional prov)	8,322,438	7,081,477	6,928,174	6,683,096	6,659,982
3a	Fully loaded ECL accounting model total capital	8,257,339	7,019,253	6,855,083	6,598,690	6,506,816
<b>Risk-weighted assets (amounts)</b>						
4	Total risk-weighted assets (RWA)	39,149,530	37,978,414	36,580,815	35,252,532	35,329,173
<b>Risk-based capital ratios as a percentage of RWA</b>						
5	Common Equity Tier 1 ratio (%)	14.27%	14.14%	14.30%	14.19%	14.10%
5a	Fully loaded ECL accounting model CET1 (%)	14.11%	13.97%	14.10%	13.95%	13.60%
6	Tier 1 ratio (%)	20.14%	17.52%	17.82%	17.83%	17.70%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	19.97%	17.36%	17.62%	17.59%	17.30%
7	Total capital ratio (%)	21.26%	18.65%	18.94%	18.96%	18.90%
7a	Fully loaded ECL accounting model total capital ratio (%)	21.09%	18.48%	18.74%	18.72%	18.40%
<b>Additional CET1 buffer requirements as a percentage of RWA</b>						
8	Capital conservation buffer requirement	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.052%	0.085%	0.085%	0.066%	0.035%
10	Bank D-SIB additional requirements (%)	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.55%	2.59%	2.59%	2.57%	2.54%
12	CET1 available after meeting the bank's minimum capital requirements (%)	7.27%	7.14%	7.30%	7.19%	7.07%
<b>Leverage Ratio</b>						
13	Total leverage ratio measure	69,082,056	65,758,626	62,758,401	60,841,356	59,285,316
14	Leverage ratio (%) (row 2/row 13)	11.41%	10.12%	10.39%	10.33%	10.55%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	11.32%	10.03%	10.27%	10.19%	10.29%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	-	-	-	-	-
<b>Liquidity Coverage Ratio</b>						
15	Total HQLA	-	-	-	-	-
16	Total net cash outflow	-	-	-	-	-
17	LCR ratio (%)	-	-	-	-	-

		Sep'24	Jun'24	Mar'24	Dec'23	Sep'23
		A	B	C	D	E
		T	T-1	T-2	T-3	T-4
<b>Net Stable Funding Ratio</b>						
18	Total available stable funding	-	-	-	-	-
19	Total required stable funding	-	-	-	-	-
20	NSFR ratio (%)	-	-	-	-	-
<b>ELAR**</b>						
21	Total HQLA	15,270,899	13,718,218	13,502,172	12,250,804	10,488,960
22	Total liabilities	49,849,036	47,349,811	45,477,496	44,030,517	41,408,581
23	Eligible Liquid Assets Ratio (ELAR) (%) **	30.63%	28.97%	29.69%	27.82%	25.33%
<b>ASRR**</b>						
24	Total available stable funding	46,897,843	44,391,881	43,297,612	41,552,206	39,856,446
25	Total Advances	31,335,563	30,391,541	29,042,269	28,634,350	28,992,850
26	Advances to Stable Resources Ratio (%)	66.82%	68.46%	67.08%	68.91%	72.74%

\* CBUAE Pillar 3 explanatory notes - Fully Loaded means bank's regulatory capital compared with a situation where the transitional arrangement had not been applied.

\*\* ELAR and ASRR ratios are calculated on a 90 day average basis as per CBUAE guidelines.

The **capital adequacy ratio (CAR)** stood at 21.3% (Tier 1 ratio of 20.1% and CET 1 ratio of 14.3%) compared to 19.0% (Tier 1 ratio of 17.8% and CET 1 ratio of 14.2%) at 2023 year-end; exceeding regulatory requirements and ensuring a robust financial foundation. This is primarily on account of the **successful issuance of the Additional Tier 1 capital securities (“AT1 capital”), amounting to US\$ 275 million (AED 1.01 billion)** dated 16 September 2024, as part of strengthening NBF's capital structure supporting its business and operational strategy and refinancing of the existing AT1 capital securities of US\$ 350 million (AED 1.286 billion). The US\$ 350 million AT1 capital was called on 16 September 2024 and settled on the first call date i.e. 01 October 2024 post the quarter-end. Had this settlement been undertaken within September 2024, the total capital adequacy ratio would have still been strong at 18.0%. The new issuance has been privately placed with the Government of Fujairah. The capital instruments allow for the mandatory conversion into ordinary shares, at a ratio of AED 2.85:1, within two years of this issuance.

The Bank's lead regulator, the Central Bank of the UAE, sets and monitors regulatory capital requirements. The requirements of capital for subsidiaries, NBF Financial Services FZC and NBF Markets (Cayman) Limited, are determined by the Free Zone Authority of Fujairah and Cayman Island Government General Registry respectively.

The Group's objectives and strategy when managing capital are:

- To maintain an adequate level and achieve an optimum structure for the Group's capital commensurate with its strategy, risk profile and relative positioning in the market;
- To comply with regulatory capital requirements set by the Central Bank of the UAE;
- To safeguard the Group's ability to continue as a going concern and to optimise returns for shareholders;
- To efficiently allocate capital to various businesses and to optimise risk and reward;
- To ensure effective internal organisation and processes and to assess and manage material risks on an ongoing basis; and
- To provide for any unforeseen losses.

The Group's capital management is carried out centrally and determines the level of risk weighted asset growth and the optimal amount and mix of capital required to support planned business growth.

In implementing capital requirements, the Bank calculates its capital adequacy ratio in accordance with the 'Capital Adequacy Regulations' issued by the Central Bank of the UAE. The Central Bank of the UAE introduced the implementation of Basel III reporting which the Group has adopted and has also developed and implemented risk management measurement tools and robust practices to be compliant with the Basel III Standardised approach. The Central Bank of the UAE places considerable emphasis on the Internal Capital Adequacy Assessment Process ("ICAAP") and the Group has aligned its policy framework and ICAAP in compliance with the Central Bank of the UAE requirements.

The Bank and its subsidiaries have complied with all regulatory capital requirements throughout the year.

### *Regulatory Capital*

The Bank's risk weighted assets (RWA) are weighted on the basis of relative credit, market, and operational risks. Credit risk includes both on and off - balance sheet risks. In accordance with the Basel III Compliance – Standardized Approach, the Bank is following the standardized measurement approach for credit, market and operational risk, under the existing Pillar 1 of Basel III requirements with the addition of the respective changes pertinent to capital supply.

The quantitative requirements, based on the regulations and guidelines, have been detailed below:

- i. Total regulatory capital (net of regulatory adjustments) – at least 10.50% of risk weighted assets (RWAs) – comprises of two tiers:
  - a. Tier 1 capital – at least 8.50% of RWA, composed of:
    - Common equity Tier 1 (CET1) – at least 7.00% of RWA; and
    - Additional Tier 1 (AT1)Common equity Tier 1 (CET1) includes ordinary share capital, statutory reserve, special reserve, retained earnings and fair value reserves relating to unrealized gains on investments classified as FVOCI / available for sale with a haircut of 55%; and Additional Tier 1 (AT1) comprises of Tier 1 capital securities.
  - b. Tier 2 capital  
It includes collective impairment provision and subordinated facilities. Collective impairment provision, including impairment reserve general, shall not exceed 1.25% of total credit risk weighted assets.
- ii. Banks must maintain a Capital Conservation Buffer (CCB) of 2.50% of RWAs in the form of CET1 capital. CBUAE may also require banks to implement Countercyclical Buffer (CCyB), to protect the banks from periods of excess aggregate credit growth. CCyB must be met by using CET1 capital and the level may vary between 0 and 2.50% of RWAs. At the date of this report, the Bank is not required to hold additional capital to satisfy a CCyB.

*Minimum capital requirements - Central Bank of the UAE:*

<b>Capital element</b>	<b>Basel III 2023</b>
Minimum common equity tier 1 ratio	<b>7.00%</b>
Minimum tier 1 capital ratio	<b>8.50%</b>
Minimum capital adequacy ratio	<b>10.50%</b>
Capital conservation buffer	<b>2.50%</b>

*Capital Stress Testing:*

The Group has carried out a stress testing exercise in accordance with the macroeconomic and business scenarios prescribed by the Central Bank of the UAE through its guidelines ‘2023 Stress Testing Guidance for Participating Banks’ issued in June 2023. The results of the stress testing have been submitted to the Central Bank of the UAE. The results included the mitigation plan and management actions in response to the impact of the stress scenario on the capital adequacy of the Group.

The stress testing exercise achieves the following objectives:

- It provides a forward-looking assessment of risk under a stressed scenario;
- It assesses the impact of various Macroeconomic Variables on UAE markets;
- It elaborates the methodologies, and the assumptions undertaken in the process;
- It assists the Group to shape its strategy, by gauging the capital impact of the stress scenarios;
- It enables the Group to assess extreme risk scenarios, along with contingency plans for such events; and
- It ensures senior management and the Board of Directors have sufficient information to facilitate contingency planning.

*Capital Allocation:*

The Group also assesses its capital requirements taking into consideration its growth and business plans, and quantifies its regulatory, risk and economic capital requirements within its integrated ICAAP Framework. Risks such as residual risk, concentration risk, liquidity risk, interest rate risk in banking book (IRRBB), settlement risk, reputational risk, strategic risk, money laundering and cyber risk form part of ICAAP quantification.



### 3. Table OV1: Overview of RWA

	A	B	C
	RWA		Minimum capital requirements
	T	T – 1	T
<b>Credit risk (excluding counterparty credit risk)</b>	<b>35,116,904</b>	<b>34,103,617</b>	<b>3,687,275</b>
Of which: standardised approach (SA)	34,989,707	33,969,311	3,673,919
Of which: foundation internal ratings based (F IRB) approach	-	-	-
Of which: supervisory slotting approach	-	-	-
Of which: advanced internal ratings based (A IRB) approach	-	-	-
Counterparty credit risk (CCR)	-	-	-
Of which: standardised approach for counterparty credit risk	-	-	-
Of which: Internal Model Method (IMM)	-	-	-
Of which: other CCR	-	-	-
Credit valuation adjustment (CVA)	127,197	134,306	13,356
Equity positions under the simple risk weight approach	-	-	-
Equity investments in funds – look- through approach	-	-	-
Equity investments in funds - mandate-based approach	-	-	-
Equity investments in funds - fall back- approach	-	-	-
Settlement risk	-	-	-
Securitisation exposures in the banking book	-	-	-
Of which: securitisation internal ratings-based approach (SEC - IRBA)	-	-	-
Of which: securitisation external ratings-based approach (SEC - ERBA)	-	-	-
Of which: securitisation standardised approach (SEC - SA)	-	-	-
<b>Market risk</b>	<b>18,525</b>	<b>38,186</b>	<b>1,945</b>
Of which: standardised approach (SA)	18,525	38,186	1,945
Of which: internal models approach (IMA)	-	-	-
<b>Operational risk</b>	<b>4,014,101</b>	<b>3,836,611</b>	
Amounts below thresholds for deduction (subject to 250% risk weight)		-	
Floor adjustment		-	
<b>Total</b>	<b>39,149,530</b>	<b>37,978,414</b>	

NBF is principally exposed to credit risk which represents almost 89.70% per cent of the Bank's Risk Weighted Assets followed by operational risk which accounts for around 10.25% of Risk Weighted Assets. The Bank has a relatively small market risk exposure as reflected in its risk weighted assets.

#### 4. Table LR1: Summary comparison of accounting assets vs leverage ratio exposure

		A
1	Total consolidated assets as per published financial statements	<b>58,529,182</b>
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustments for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	-
9	Adjustment for securities financing transactions (ie repos and similar secured lending)	-
10	Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	-
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	-
<b>13</b>	<b>Leverage ratio exposure measure</b>	<b>58,529,182</b>

## 5. Table LR2: Leverage ratio common disclosure template

		A	B
		T	T-1
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	58,529,182	55,631,258
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-	-
7	<b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)</b>	<b>58,529,182</b>	<b>55,631,258</b>
<b>Derivative exposures</b>			
8	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	150,307	91,810
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	433,213	499,492
10	(Exempted CCP leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	<b>Total derivative exposures (sum of rows 8 to 12) * 1.4 (beta factor)</b>	<b>816,928</b>	<b>827,823</b>
<b>Securities financing transactions</b>			
14	Gross SFT <i>assets</i> (with no recognition of netting), after adjusting for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	<b>Total securities financing transaction exposures (sum of rows 14 to 17)</b>	<b>-</b>	<b>-</b>
<b>Other off-balance sheet exposures</b>			
19	Off-balance sheet exposure at gross notional amount	9,735,946	9,299,545
20	(Adjustments for conversion to credit equivalent amounts)	-	-
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	<b>Off-balance sheet items (sum of rows 19 to 21)</b>	<b>9,735,946</b>	<b>9,299,545</b>
<b>Capital and total exposures</b>			
23	<b>Tier 1 capital</b>	7,883,477	6,655,182
24	<b>Total exposures (sum of rows 7, 13, 18 and 22)</b>	<b>69,082,056</b>	<b>65,758,626</b>
<b>Leverage ratio</b>			
25	<b>Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)</b>	11.41%	10.12%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	11.32%	10.03%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	<b>Applicable leverage buffers</b>	8.32%	7.03%

The increase in on-balance sheet exposure is primarily due to increase in investments and sovereign, corporate loans and claims secured by residential property exposures of the Bank. It is evident from the ratio NBF stands well above regulatory minima.

## 6. Eligible Liquid Assets Ratio

<b>1</b>	<b>High Quality Liquid Assets</b>	<b>Nominal amount</b>	<b>Eligible Liquid Asset</b>
1.1	Physical cash in hand at the bank + balances with the CBUAE	13,547,089	
1.2	UAE Federal Government Bonds and Sukuks	437,003	
	Sub Total (1.1 to 1.2)	13,984,092	13,984,092
1.3	UAE local governments publicly traded debt securities	1,068,587	
1.4	UAE Public sector publicly traded debt securities	-	
	Subtotal (1.3 to 1.4)	1,068,587	1,068,587
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	218,220	218,220
<b>1.6</b>	<b>Total</b>	<b>15,270,899</b>	<b>15,270,899</b>
<b>2</b>	Total liabilities		49,849,036
<b>3</b>	<b>Eligible Liquid Assets Ratio (ELAR)</b>		<b>30.63%</b>

## 7. Advances to Stable Resource Ratio

		Items	Amount
<b>1</b>		<b>Computation of Advances</b>	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	28,046,113
	1.2	Lending to non-banking financial institutions	189,742
	1.3	Net Financial Guarantees & Stand - by LC (issued - received)	1,146,298
	1.4	Interbank Placements	1,953,410
	<b>1.5</b>	<b>Total Advances</b>	<b>31,335,563</b>
<b>2</b>		<b>Calculation of Net Stable Resources</b>	
	2.1	Total capital + general provisions	7,821,359
		<b>Deduct:</b>	
	2.1.1	Goodwill and other intangible assets	178,893
	2.1.2	Fixed Assets	396,641
	2.1.3	Funds allocated to branches abroad	-
	2.1.5	Unquoted Investments	598
	2.1.6	Investment in subsidiaries, associates and affiliates	-
	<b>2.1.7</b>	<b>Total deduction</b>	<b>576,132</b>
	<b>2.2</b>	<b>Net Free Capital Funds</b>	<b>7,245,227</b>
	<b>2.3</b>	<b>Other stable resources:</b>	
	2.3.1	Funds from the head office	-
	2.3.2	Interbank deposits with remaining life of more than 6 months	3,230,687
	2.3.3	Refinancing of Housing Loans	-
	2.3.4	Borrowing from non-Banking Financial Institutions	864,368
	2.3.5	Customer Deposits	35,557,561
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	-
	<b>2.3.7</b>	<b>Total other stable resources</b>	<b>39,652,616</b>
	<b>2.4</b>	<b>Total Stable Resources (2.2+2.3.7)</b>	<b>46,897,843</b>
<b>3</b>		<b>Advances TO STABLE RESOURCES RATIO (1.5/ 2.4*100)</b>	<b>66.82%</b>



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